



Estonia



Estonia is the northernmost of the three Baltic states and is bordered by the Baltic Sea, the Gulf of Finland, Latvia, and Russia. Since regaining its independence in 1991, Estonia has become one of Europe's most progressive and open economies. This country of 1.4 million people within the last 11 years has created a sound legal structure and favorable environ-

foreign-trade regimes in Europe. Most imports enter duty-free, with the exception of agricultural goods. Non-agricultural goods are only subject to a \$20 customs-handling fee.

In 2001, U.S. exports to Estonia totaled \$121 million, which accounted for only 2 percent of Estonia's total imports and consisted mainly of electrical machinery, boilers, transmission/recording apparatuses for radio and television, and medical and surgical

The current level of investment can be attributed to the government of Estonia's highly favorable attitude toward FDI. In 1991, Estonia adopted its current law on foreign investment. The intent of this law is to affirm the liberal treatment of foreign investments in Estonia and to provide potential investors with detailed information on investing in Estonia. The government has sought to maintain liberal policies and establish free trade agreements in order to attract investments that

Estonia adopted new tariff rates for certain agricultural goods in January 2000 in accordance with EU rules and regulations. When Estonia joins the European Union it will adopt common external tariff rates, and the tariff rates for non-agricultural goods will rise to match those of other EU member states.

ment to attract foreign investment, become a leader throughout Europe in IT innovation and penetration, and placed itself at the forefront of EU enlargement in 2004. By no means are these small feats, and Estonia's progress is illustrated by its economic growth. Over the last five years, the Estonian economy has steadily grown. Despite the global economic slowdown in 2001, Estonia's GDP grew by a total of 5.4 percent. In the second quarter of 2002, GDP growth jumped 6.5 percent, which was well above projections. Although the global economic slowdown is expected to continue, the medium- and long-term outlook for Estonia remains promising.

The key to Estonia's success, thus far, has been its approach of providing an atmosphere conducive to trade. Estonia has one of the most liberal

instruments. This is a modest figure, but it is likely to increase in the coming years. Nevertheless, U.S. companies face fierce competition from neighboring countries. Most of the Scandinavian countries, along with Germany and the other two Baltic states, are major suppliers of imports to Estonia. Estonia has globally integrated its market and oriented itself towards the West. This orientation has generated significant import and export activity as well as a great deal of foreign investment.

Foreign direct investment (FDI) has played a considerable role in Estonia's development. In 2000, FDI in Estonia totaled \$2.84 billion, the majority of which came from Sweden and Finland. The United States is the fourth-largest investor in Estonia, contributing close to \$120 million in annually.

could produce exports directed to the European Union, Central and Eastern Europe, and countries of the former Soviet Union. Estonia offers a number of advantages to investors, including its strategic location and relatively low corporate taxes.

U.S. TRADE AND INVESTMENT

Trade between the United States and Estonia has slowly grown over the last decade, but there is room for improvement. There are many ways for U.S. companies to benefit from doing business in the Baltic states, and there are several sectors in the Estonian economy that hold opportunities for U.S. exports and investment. These sectors include telecommunications/IT, maritime transportation services and port management, and mechanical engineering and metalworking.

Telecommunications is one of the fastest-growing markets in Estonia. The telecommunications and postal services sector is virtually open. The state sold its shares in Eesti Telecom via an open tender to a consortium of Swedish and Finnish firms in January 1999. The results of these investments can be seen today as Estonia tops

the Baltic Sea. Its three major cargo ports—the Port of Tallinn, the Port of Pärnu, and the Port of Kunda—offer easy navigational access, deep waters, and good ice conditions. Estonian ports provide excellent opportunities for value-added logistics services and can serve as distribution centers for the Baltic Sea region.

A new Estonian income tax law took effect on January 1, 2000. The law states that Estonia has a “nil” rate of corporate income tax. However, a 26-percent tax applies to dividends, distributions or deemed distributions.

the list of Internet users, and has the highest ratio of computers per inhabitants in Central and Eastern Europe. Connection rates to the Internet are even higher than those in some countries in Western Europe.

Estonia has become an international transit center. Its location is ideal for the creation of efficient transportation links and distribution chains for goods and services for European and other international companies. The Estonian transportation and logistics sector consists of a combination of transportation services, transit trade, distribution centers, and value-added logistics. The majority of transportation income comes from international transit and port services. Estonia has captured an increasing share of the rapidly growing trade through

Mechanical engineering, metalworking, and related equipment are leading branches of the Estonian economy. Following the privatization of state-owned firms, the majority of engineering enterprises successfully reoriented their exports from the former Soviet Union markets to European markets. The main subsectors of Estonia's engineering industry are machinery and industrial equipment; shipbuilding and repair; production of tools, dyes, and molds; production of agricultural, forestry, and road-building machines; car components and metal goods. The overall engineering sector has the largest export volume in Estonia; it accounts for 30 percent of the country's total exports. ■

ESTONIA: FACTS AND FIGURES

Total area: 45,226 square km (a little smaller than Vermont and New Hampshire combined)

Population: 1.4 million

Real GDP growth: 5% (2003 forecast)

Inflation: 3% (2003 forecast)

GDP by sector: services 66%, industry 28%, agriculture 6%

Main industries: engineering, electronics, textiles, IT, wood and wood products, telecommunications, services, transit

Currency: kroon

Exports: machinery and equipment, wood products, textiles, food products, metals, chemical products

Imports: machinery and equipment, chemical products, textiles, foodstuffs, metals

Main languages: Estonian (official language and first language of 65% of the populace), Russian (first language of 28% of the populace), Ukrainian, Finnish.

Sources: CIA, EIU, IMF.

REGIONAL AND NATIONAL INFORMATION

Central and Eastern Europe Business Information Center (CEEBC)

International Trade Administration
U.S. Department of Commerce
www.export.gov/ceebic

U.S. Commercial Service

International Trade Administration
U.S. Department of Commerce
www.buyusa.gov/baltics/en

ESTONIA

American Chamber of Commerce in Estonia
www.acce.ee

Estonian Investment Agency

www.eia.ee

U.S. Embassy in Estonia

www.usemb.ee

LATVIA

American Chamber of Commerce in Latvia
www.amcham.lv

Latvian Development Agency

www.lida.gov.lv/eng

U.S. Embassy in Latvia

www.usembassy.lv

LITHUANIA

American Chamber of Commerce in Lithuania
www.acc.lt

Lithuanian Development Agency

www.lida.lt

U.S. Embassy in Lithuania

www.usembassy.lt

RUSSIA

U.S. Consulate in St. Petersburg

<http://usembassy.state.gov/stpetersburg>